R.O.B.

ANNUAL REPORT 1976
Westcoast Transmission Company Limited

The Westcoast Transmission System

The responsibility for gathering and processing natural gas for transmission to residential and industrial distributors in British Columbia and the U.S. Pacific Northwest lies with Westcoast Transmission Company Limited, a publicly-owned and federally-incorporated utility which began operations in 1957.

Those operations comprise a complex network of pipelines, meter stations, compressor stations and processing plants maintained by a staff of more than 500 men and women skilled in a variety of administrative and technical fields.

The Westcoast system, stretching from the Yukon and Northwest Territories to the international boundary near Vancouver, plays an important role in the social and economic development of the areas it serves.

Annual Meeting

The Annual Meeting of the Shareholders of Westcoast Transmission Company Limited will be held in the Hotel Vancouver, in the City of Vancouver, British Columbia, on Tuesday, April 19, 1977 at 10 a.m.

Solutions to an Energy Shortfall

Each year across North America, the shortage of natural gas worsens. Within the next decade, Canadians face a predicted gas deficit. To help overcome the predicted domestic shortfall by transporting newly found natural gas from northern frontier fields to southern markets is a project of paramount importance to the company. A brochure describing the company's activities in this regard is included with this Annual Report.

Cover

Westcoast Transmission Company Limited's head office is in Vancouver, British Columbia. From this building, the nerve centre of operations, lines of communication fan out across the province to activate the company's complex natural gas network.

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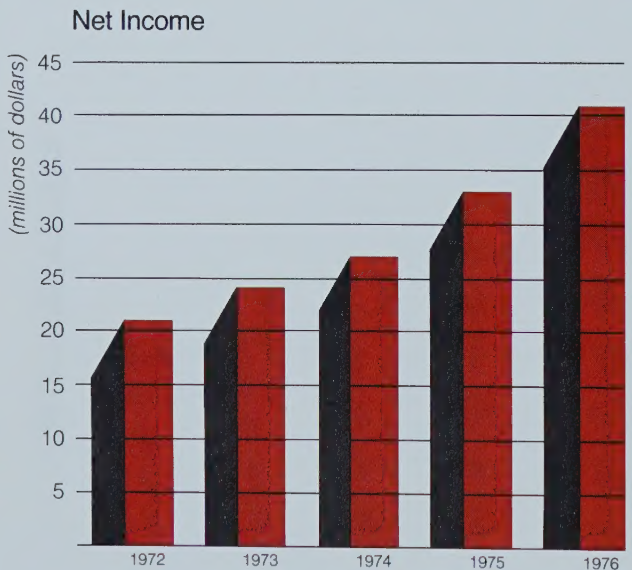
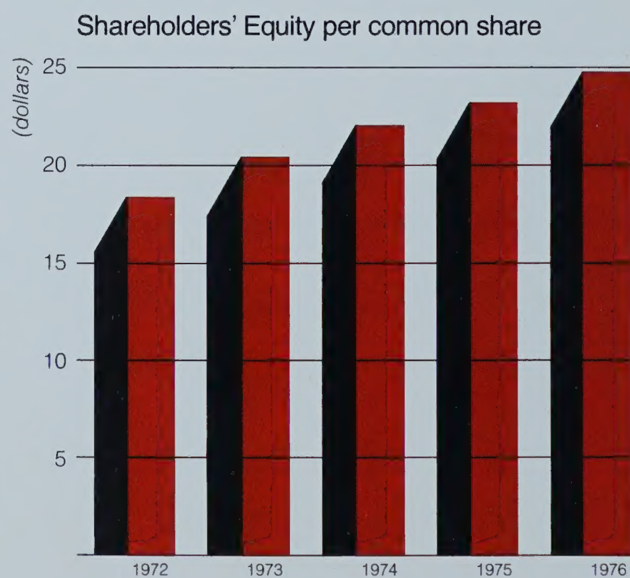
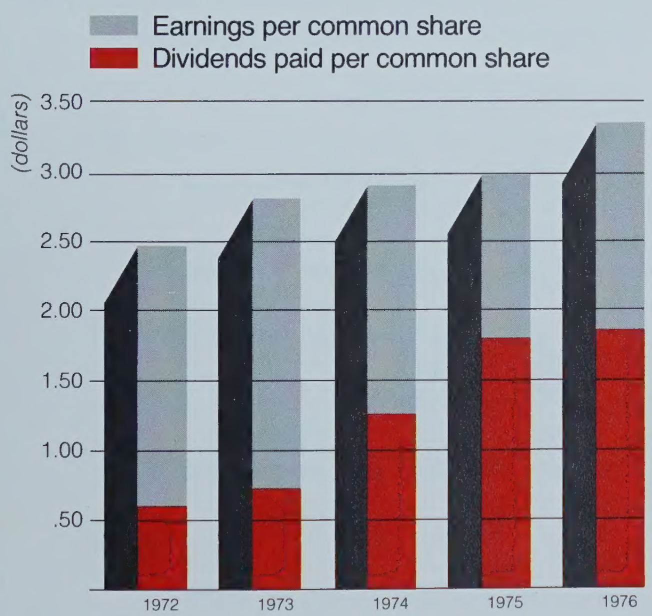


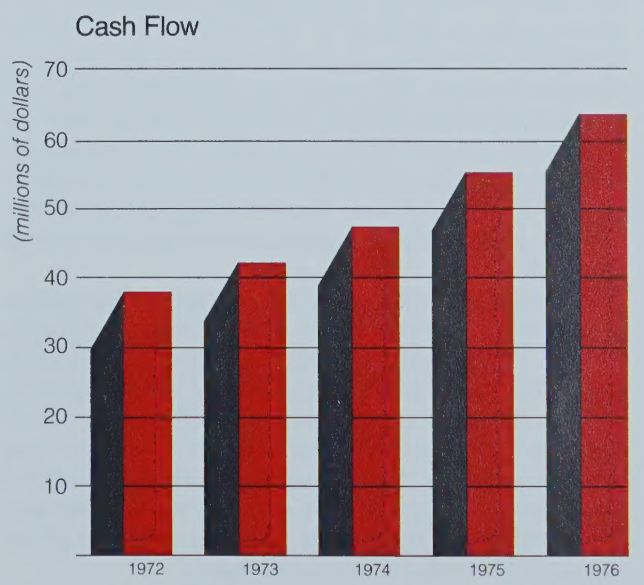


Results in Brief

Financial	1976	1975
Total Operating Revenues	$562,372,000	$416,677,000
Net Income Applicable to Common Shares	36,059,000	29,619,000
— per share	3.34	2.97
Cash Flow	63,298,000	55,060,000
— per share	5.87	5.51
Total Assets	704,428,000	675,189,000
Common Shareholders' Equity	268,873,000	247,670,000
— per outstanding share	24.74	23.15
Common Shares — weighted average	10,785,065	9,983,720

Operating	1976	1975
Total Gas Sales, Mcf	345,649,000	353,200,000
Average Daily Sales, Mcf	944,000	968,000
Peak Day Sales, Mcf	1,164,000	1,174,000





To the Shareholders

Record Earnings

During 1976, the Company once again attained record levels in revenue and income. Net income totalled $39,459,000 as compared to $33,019,000 in 1975, which represents a 20 percent increase. Net income available to common shareholders, which is determined after providing for preferred share dividends, increased 22 percent to $36,059,000 from the previous high in 1975 of $29,619,000. For the first time, the Company's operating revenues exceeded the half-billion-dollar mark. At $562,372,000 they were 35 percent ahead of the 1975 total of $416,677,000.

Earnings per common share for the year 1976 were $3.34 up 12 percent from the previous year's $2.97. Cash flow increased to $63,298,000 or $5.87 per common share from $55,060,000 or $5.51 per share in 1975.

Dividends paid on common shares during the year increased to a total of $19,798,000 or $1.836 per share from the previous year's level of $17,654,000 or $1.80 per common share. The usual quarterly dividend of 45 cents was increased in the last quarter by eight percent to 48.6 cents per common share, as allowed under the federal Anti-Inflation Board guidelines. Further increases in this quarterly dividend rate are not allowed until authorized by the Anti-Inflation Board following its second planned review in October 1977.

Exploration Activity

For the second consecutive year, exploration and development activity in the Province of British Columbia accelerated considerably. In the following Annual Review, the steps are described that encouraged the increase in gas and oil drilling. With the Company continuing to experience gas shortages and being unable to meet the contractual demands of its export customer, the increase in exploration activity was one of the most encouraging events of the year.

It is expected that 90 to 100 new gas wells may be available for connection to the Westcoast pipeline system in 1977. The construction of a new pipeline and processing plant in the Grizzly Valley/Sukunka area at a cost of approximately $100 million will be commenced later this year. Together with several smaller projects, these major expenditures will be important additions to the Company's rate base and will significantly improve its ability to serve the growing energy needs of its customers.

Frontier Gas Projects

Included as a supplement to this annual report is a brochure setting out in some detail the Company's involvement in the various northern gas projects. Specifically, it describes Westcoast's interest in two projects; one to transport American gas from Prudhoe Bay on the North Slope of Alaska to the lower 48 states; and another to move Canadian gas from the Mackenzie Delta area in the Northwest Territories to markets in Canada. The competitive projects in the great national pipeline contest are not fixed. Substantial alterations have been made by all; undoubtedly more are to come. However, this material puts in perspective the dramatic effect these projects, however they eventually evolve, will have on the future of Canada.

Executive Appointments

In April 1976, the Board of Directors appointed Edwin C. Phillips President and Chief Executive Officer. John Anderson, formerly Senior Vice President, was appointed Executive Vice President; and C. D. Williams became Vice President, Secretary and General Counsel.

The record year experienced in 1976 is attributable to the performance of the employees of the Company. The Board of Directors join management in thanking these men and women for the diligent and competent way they handled the many and varied tasks encountered during 1976, and particularly for the efficiency improvements achieved in the principal function of energy transmission.

On behalf of the Board,

Kelly Gibson

K. H. GIBSON
Chairman of the Board

E. C. Phillips

E. C. PHILLIPS
President and Chief Executive Officer

Vancouver, Canada, March 14, 1977

CHAIRMAN RETIRES

Kelly H. Gibson retired as Chairman of the Board of Directors of Westcoast Transmission Company Limited on his 65th birthday, March 19, 1977.

As a director and officer of Pacific Petroleums Ltd., Mr. Gibson was indirectly associated with Westcoast Transmission through its earlier years. That involvement became more direct in October 1969, when he was appointed a director of the Company, and in July 1970, when he was appointed Chairman and Chief Executive Officer. He relinquished the position of Chief Executive Officer after six years, in April 1976.

Mr. Gibson guided the affairs of Westcoast Transmission for more than six years, the most successful period of its history. His counsel will still be available to the Company through his willingness to continue serving on the Board of Directors.

DIRECTORS:

*†JOHN ANDERSON
Executive Vice President and Chief Operating Officer
Westcoast Transmission Company Limited
Vancouver, British Columbia

*KELLY H. GIBSON
Chairman of the Board
Westcoast Transmission Company Limited
Vancouver, British Columbia

J. TAYLOR KENNEDY
President and Chief Executive Officer
Canada Cement Lafarge Ltd.
Montreal, Quebec

DOUGLAS P. McDONALD, Q.C.
Barrister and Solicitor
Calgary, Alberta

*EDWIN C. PHILLIPS
President and Chief Executive Officer
Westcoast Transmission Company Limited
Vancouver, British Columbia

L. MERRILL RASMUSSEN
President and Chief Executive Officer
Pacific Petroleums Ltd.
Calgary, Alberta

J. ERNEST RICHARDSON
Chairman of the Board
MacMillan Bloedel Limited
Vancouver, British Columbia

WARREN A. ROBERTS
Executive Vice President
Phillips Petroleum Company
Bartlesville, Oklahoma

†WILLIAM H. TYE
Senior Vice President
Pacific Petroleums Ltd.
Calgary, Alberta

†CHARLES N. W. WOODWARD
Chairman of the Board
Woodward Stores Limited
Vancouver, British Columbia

FRANK M. McMAHON
Chairman Emeritus of the Board
Hamilton, Bermuda

NORMAN R. WHITTALL
Honorary Director
Vancouver, British Columbia

*Executive Committee Member
†Audit Committee Member

OFFICERS:

KELLY H. GIBSON
Chairman of the Board

EDWIN C. PHILLIPS
President and Chief Executive Officer

JOHN ANDERSON
Executive Vice President and Chief Operating Officer

A. J. GREEN
Vice President, Supply and Sales

J. E. JOHNSON
Vice President, Operations

J. A. KAVANAGH
Vice President, Engineering

L. J. SMITH
Vice President, Finance and Treasurer

C. D. WILLIAMS
Vice President, General Counsel and Secretary

J. E. MAY
Comptroller

D. O. HUNTER
Assistant Treasurer

P. M. STEELE
Assistant Secretary

Highly skilled professionals within the Engineering Services Department prepare the complex engineering drawings vital to the design and construction of Westcoast's compressor stations and other gas transmission facilities.

GAS SUPPLY

Price Increases

In June 1976, the British Columbia Energy Commission held its second annual public hearing to examine the adequacy of natural gas and crude oil prices and to recommend steps that should be taken to accelerate exploration, development and production of natural gas and oil in British Columbia.

The Commission found that exploration and development activity had substantially improved over 1974-75 levels because of previous pricing incentives. All leading indicators, including land sales, geophysical surveys, number of active rigs, well completions and footage drilled showed significant increases.

Among a number of important conclusions, the Commission recommended that field prices should be increased for both 'old' and 'new' gas; that the royalty rates for both 'old' and 'new' oil should be lowered; and that the wholesale price of gas to the distribution utility companies should be raised.

In November, the British Columbia government announced it would institute the Commission's recommendations with only minor changes. The price of 'old' gas was raised from 35 cents per Mcf to 65 cents per Mcf, and the price for 'new' gas was advanced from 55 cents per Mcf to 85 cents, both effective January 1, 1977. The wholesale price of gas which the Company charges its Canadian distribution customers was directed to be increased by 24 cents per Mcf, from an average of about 76 cents to $1.00 per Mcf, effective March 1, 1977.

Natural gas price increases are a proper concern of the Anti-Inflation Board of Canada at all levels —producer, distributor and consumer. Because these prices are in the traditionally regulated sphere, the mechanics for their specific control have been sensibly left by the Anti-Inflation Board with the regulatory bodies concerned.

Revenue from Land Sales

Five land sales were held by the B.C. Government in 1976, for which a new record in annual provincial revenues was established. Bonus payments of $43 million were accepted which is almost double the previous record of $22 million reached in 1974. During the 1975 slump, only $12 million in bonuses were earned from land sales in British Columbia. The average yearly revenue from land sales for the six year period 1969 to 1974 was $20 million. The majority of the land purchased in 1976 was exploratory acreage in the form of large petroleum and natural gas permits which indicates producer confidence that drilling for new gas in British Columbia will be successful in future years.

Exploration and Drilling Activity

The new wellhead prices in British Columbia will bring the net return to the producer for new gas to a level comparable to that obtained in the Province of Alberta. It is anticipated that these increases will continue to expand interest in both exploration and development drilling and will lead to an increase in the number of wells drilled and gas discoveries in British Columbia during 1977 and 1978. It is estimated that 180 to 200 new wells will be drilled in 1977 compared to a total of 166 wells drilled in British Columbia during 1976.

New Gas Connections

The Aitken Creek field, which is planned to be tied-in by April 1977, will initially produce approximately ten MMcf per day. In mid-1978, when a proposed compressor station and liquids extraction plant have been installed, it is planned to use the field for gas storage by injecting 100 MMcf of gas per day into underground storage during four summer months, when market demand is low, and withdrawing 50 MMcf per day during the remainder of the year.

The B.C. Petroleum Corporation has requested that Westcoast build a gas processing plant and pipeline to connect the Grizzly Valley-Sukunka area to the main pipeline system. Proven reserves have been estimated to be over 500 billion cubic feet with the total potential in excess of one trillion cubic feet. It is expected that approximately 250 MMcf per day of raw gas will be delivered by the beginning of 1980. Preliminary estimates indicate the total cost of the facilities will be in excess of $100 million. Regulatory approval for this project will be sought from the National Energy Board in 1977.

The Company is presently negotiating for the supply of an additional 175 to 250 MMcf of gas per day from Alberta. If contracts are signed and regulatory approvals received, the gas can be connected to the Westcoast system near the Pouce Coupe/Worsley, B.C. gathering area. Included in these negotiations is the possibility of a short-term purchase contract with TransCanada PipeLines Ltd. for gas surplus to their requirements and the purchase of longer term gas from Pan-Alberta Gas Ltd. Also, in recent weeks a number of Alberta producers have offered gas supplies they have not been able to sell to the eastern Canadian market.

All the foregoing developments will have a favorable impact on the Company's gas supply. This is an encouraging prospect because the major problem experienced in 1976 was the continuing shortage of gas during the heavy demand heating season. For four consecutive winter seasons, the Company has been unable to meet the demands of its export contract to the United States. This shortage is largely the result of reduced deliveries from the Beaver River and Pointed Mountain fields due to water intrusion into the wells operated by Amoco Canada Petroleum Company Ltd. This particular loss amounted to more than 200 million cubic feet per day. Also, a number of major gas fields in the Company's supply area, which have been producing for over ten years, are now experiencing reduced deliverability as a result of normal decline.

Despite the attachment of an initial additional supply of 175 million cubic feet per day from new wells, there was a peak-day shortage of 328 million cubic feet in 1976. The entire shortfall was borne by the export customer. Canadian customers continued to receive their full nominations as increased from year to year under their existing contracts with Westcoast.

Because the near-term additions to the Company's gas supply will either be of modest proportions or short duration, the ultimate solution is to secure substantial deliveries from Canada's frontier natural gas sources. The supplement issued with this Annual Report describes Westcoast Transmission's advantageous position, geographically and physically, in this most important national energy matter. Because the projects in which the Company is participating are both consistent with the national public interest, their ultimate success, after Parliamentary debate, is a reasonable expectation.

GAS SALES

The Company experienced a 35 percent increase in its gas sales revenue during 1976. This advance resulted from a wholesale price increase to Canadian customers and from a further rise in the export border price.

On April 1, 1976, all of Westcoast's Canadian customers began paying an additional 15 cents per Mcf. The border price for export gas which had been $1.60 per Mcf was changed effective September 10, 1976 to $1.80 per Mcf, and to $1.94 per Mcf effective January 1, 1977, by order of the National Energy Board of Canada.

The past year marked the first period in which the full impact of higher gas prices to Canadian and export customers caused competitive adjustments by fuel users. Some industries shifted from the use of natural gas, particularly in the Pacific Northwest area of the United States where the competitive edge of gas over other fuels had been narrow. It appears this market shift has virtually been completed and that the remaining industrial and other markets for natural gas are stable and will continue to take gas at historical levels with normal annual growth determined primarily by overall economic conditions.

A total of 345.6 billion cubic feet of natural gas was delivered to all customers during 1976 which was two percent less than the previous year. On a daily basis, deliveries averaged 944 million cubic feet compared with 968 million cubic feet in 1975. Of the total shipments, 62 percent of the gas volume was exported to the United States compared with 60 percent in 1975.

In 1976, 78 Bcf of gas was delivered to B.C. Hydro and Power Authority, down 18 percent from 1975 due primarily to that utility not burning gas in its Burrard thermal generating plant in 1976. There was, however, an increase in B.C. Hydro sales to both its firm and interruptible customers of some two percent.

Deliveries to Inland Natural Gas Co. Ltd. were 39.5 Bcf, up approximately 17 percent from 1975. Inland has experienced substantial sales growth despite the levelling of demand for natural gas in Canada generally. As a result, this customer increased its nomination for 1977 volumes more than anticipated.

Deliveries to the Company's other Canadian customer, Pacific Northern Gas Ltd., were 13.2 Bcf, up 20 percent from 11 Bcf sold in 1975.

Deliveries to Northwest Pipeline Corporation, the Company's only export customer, were approximately 213 Bcf during 1976, which was 15 percent below the volume requested but fractionally more than actual shipments in 1975. It is anticipated export sales will increase appreciably in 1977 because Northwest Pipeline Corporation is developing three major gas storage projects for the U.S. Pacific Northwest. This will enable that customer to buy up to 200 million cubic feet per day additional gas during the low demand summer months to be placed in storage and then withdrawn during the winter heating season.

CONSTRUCTION

During the year, major construction projects were completed totalling approximately $39 million. In-

cluded in this amount were a sulphur recovery plant, several new gathering system extensions and reconstruction of a gas turbine engine in one of the mainline compressor stations.

The sulphur recovery plant, which is a pollution control project adjacent to the Fort Nelson gas processing plant, commenced operation in October 1976. It is capable of removing over 95 percent of the sulphur in the raw gas, or about 400 long tons of sulphur per day. The sulphur will be stored in imperishable block form until market prices justify its transportation to market.

The new gas gathering projects complement the Fort Nelson and Fort St. John pipeline gathering systems. The Fort Nelson area extensions consisted of approximately 47 miles of 8-inch to 16-inch pipelines. Extensions in the Fort St. John area included various gathering pipelines totalling approximately 32 miles of 16-inch pipeline and 16 miles of 6-inch pipeline.

The National Energy Board has awarded the necessary certificate to construct approximately 20 miles of 12-inch pipeline and a 4,000 horsepower compressor station to attach the Aitken Creek gas field to the mainline. This project will be completed during 1977.

OPERATIONS

During 1976, the activities of the Operating Division were mainly concentrated in the northern district, which is also the Company's principal supply area. The newest booster stations at Siphon, Boundary Lake and Fort Nelson were fully operational and first gas deliveries were received from the Helmet field. The Fort Nelson booster station, which has a rated capacity of 39,000 horsepower, is designed to use steam energy from the Fort Nelson process plant which would otherwise be wasted. It is the only steam-turbine powered compressor station in the Company's system.

The Company now operates two sulphur plants. The Fort Nelson sulphur plant, construction of which was completed in 1976, handles acid gas from the gas processing plant. The other sulphur plant which is located adjacent to the McMahon Plant at Taylor, B.C., was purchased by the Company in 1976 from Canadian Occidental Petroleum for $1,475,000. As this plant has been in operation for almost 20 years, the Company will be investing approximately $1,300,000 in additional facilities to improve its operation and to bring it into conformity with provincial pollution regulations.

Labor relations for 1976 were good. One-year agreements were reached with the Oil, Chemical and Atomic Workers International Union at the Fort Nelson plant and with the Canadian Pipeline Employees Association on the transmission system. It is expected labor relations will continue to be stable during 1977. Ten of the 12 employees at the Taylor sulphur plant just acquired by Westcoast were represented by the Union of Operation Engineers under a provincial certification. The union representation of these men is under consideration. It is expected the final determination will be made by the federal Labor Relations Board as Westcoast is under federal jurisdiction.

COST-OF-SERVICE CONTRACT

The B.C. Petroleum Corporation continues to purchase all of the natural gas produced in British Columbia for resale to Westcoast for ultimate delivery and sale to the Company's existing customers.

The Company retains, out of its sales revenue, all costs incurred for gathering, processing, transmitting and selling the gas moved through the pipeline system. These are referred to as cost-of-service. They include operating, maintenance and administrative expenses, depreciation of facilities, taxes (including income taxes), and an amount equal to 10.5 percent return on rate base. The rate base, mainly comprised of the depreciated value of the facilities employed, averaged $516,738,000 in 1976. After deducting the total cost of service, the balance of sales revenue is remitted to the B.C.P.C. as payment for the gas purchased from that crown corporation.

Increases in operating income are now completely dependent upon expansion of the pipeline facilities and increases in the negotiated rate of return on rate base. Net income is no longer affected by fluctuations in the price or volume of gas delivered through the pipeline system. Income from subsidiary operations referred to at page 8 is not involved in the B.C.P.C. contract in any way.

FINANCIAL

Operating revenues, income, cash flow and dividends reached record levels in 1976. Operating revenues increased by 35 percent to $562,372,000 in 1976. As in the past three years, higher revenues were the result of price increases for both export and domestic sales detailed on page 7. Operating income, which is the return the Company earns on its rate base, increased from $53,913,000 in 1975 to $58,901,000 in 1976. This increase can be attributed

to a slightly larger investment in plant in service and an increase in the rate of return from 10 percent to 10.5 percent effective January 1, 1976. In other income, the Company's share of earnings of Westcoast Petroleum Ltd., allowance for funds used during construction, and investment income all increased over 1975. The rise in investment income resulted from slightly increased interest rates and the higher cash levels available. Income deductions were slightly lower than the $26,515,000 spent in 1975.

The record net income of $39,459,000 represented a 20 percent increase over the 1975 level of $33,019,000. Net income applicable to common shares amounted to $36,059,000 which was 22 percent higher than the 1975 level of $29,619,000. Both amounts are net after provision for preferred share dividends of $3,400,000. The earnings per common share in 1976 were $3.34 compared with $2.97 per share in 1975. Earnings per share advanced despite the rise in the weighted average number of common shares outstanding during 1976 which was 10,785,065 compared to 9,983,720 in 1975. The advance in outstanding common shares was the result of more conversions of the Company's convertible debentures.

$50 Million Financing

During 1976, the Company borrowed $50 million in United States funds from a number of major United States insurance companies. This was the first financing outside of Canada by the Company in almost seven years. As security, the Company issued $50 million in First Mortgage Pipe Line Bonds. Proceeds from the issue were used to repay outstanding bank loans and for capital expenditures incurred in the latter part of the year, with some remaining for construction planned for 1977. Funds not immediately required have been invested in short-term notes.

SUBSIDIARY COMPANIES

WESTCOAST PETROLEUM LTD. is primarily engaged in the exploration for and the production of crude oil and natural gas. The Company holds 2,017,550 common shares and 600,000 preferred shares of Westcoast Petroleum Ltd., representing 49.1 and 45.5 percent respectively of the outstanding shares. (See Note No. 7 at page 19 for subsequent event.) This subsidiary also owns and operates a 505-mile, 12½-inch oil pipeline in northeastern British Columbia which is subject to the jurisdiction of the provincial Department of Transport and Communications.

Gross acre interests total 11,613,144 (3,090,501 net acres) of prospective oil and gas lands in western Canada, the Northwest Territories, the Arctic Islands and East Coast offshore. Westcoast Petroleum continued to be very active in 1976 in exploration and development drilling. It participated in the drilling of 86 wells which resulted in 30 new gas discoveries and 13 new oil discoveries. Higher wellhead prices in both British Columbia and Alberta yielded very favorable increases in the revenue earned from natural gas and crude oil sales during 1976. Net income available to common shareholders amounted to $2,902,000 or 71 cents per common share in 1976, an increase of 57 percent compared to $1,845,000 or 46 cents per common share earned in 1975.

PACIFIC NORTHERN GAS LTD. is a gas transmission and distribution utility operating in west-central British Columbia. The Company's ownership of the common shares of Pacific Northern increased during 1976 from 26.7 percent to 45 percent by the conversion of a convertible debenture. All of the voting shares are owned by Westcoast Transmission. The sales volume was 12.95 billion cubic feet during 1976 compared to 10.65 billion cubic feet during 1975. Total sales revenue was $13,429,000 compared to $10,070,000 in 1975. Net earnings applicable to common shares after providing for preferred dividends of $337,500 in each year were $1,229,000 in 1976 and $572,000 in 1975. This subsidiary is regulated by the B.C. Energy Commission. Its rates were increased early in 1976 and an application was heard by the Commission in December for another necessary advance for 1977.

SARATOGA PROCESSING COMPANY LIMITED owns and operates a gas gathering and processing system and a sulphur extraction plant in southwestern Alberta. The Company owns 25 percent of Saratoga's common shares, including all of the voting shares. Net income for the year was $307,000 or 61 cents per common share compared to $319,000 or 64 cents per common share in 1975. The present capacity of this processing facility is 52 MMcf of raw gas per day. Because of further gas discoveries in the area served, this subsidiary is studying expansion of its processing and sulphur extraction facilities.

CONSOLIDATED

Balance Sheet

as at December 31

ASSETS	1976	1975
	(in thousands)	
Plant, property and equipment — at cost (Note 1)	$757,769	$736,752
Less accumulated depreciation	188,992	167,632
	568,777	569,120
Investments:		
Westcoast Petroleum Ltd.	32,467	31,022
Other — at cost (market value 1976 — $271,000; 1975 — $1,113,000)	271	1,265
	32,738	32,287
Current assets:		
Temporary cash investments	18,917	1,208
Deposits with trustees	5,553	5,375
Accounts receivable	55,241	47,386
Materials and supplies — at cost	4,886	4,923
Line pack gas — at cost	2,642	2,389
Prepayments	1,292	607
	88,531	61,888
Deferred charges:		
Unamortized debt discount, premium and expense	5,415	5,377
Unamortized cost of abandoned pipeline	1,527	1,909
Unamortized capital stock expense	1,178	1,414
Foothills Pipe Lines Ltd.	3,830	1,330
Other	1,748	1,019
	13,698	11,049
Excess of cost of investment in subsidiary over book value at date of acquisition	684	845
	$704,428	$675,189

(The accompanying accounting policies and notes are integral parts of these financial statements)

Westcoast Transmission Company Limited

(Incorporated under the laws of Canada)

SHAREHOLDERS' EQUITY	1976	1975
	(in thousands)	
Capital stock (Note 2):		
Authorized — 5,000,000 preferred shares without nominal or par value		
— 25,000,000 common shares without nominal or par value		
Issued — 800,000 $4.25 cumulative redeemable preferred shares series A	$ 40,000	$ 40,000
— 10,868,217 common shares (1975 — 10,696,619 common shares)	156,561	151,660
	196,561	191,660
Contributed surplus	370	329
Retained earnings	111,942	95,681
	308,873	287,670

LIABILITIES	1976	1975
Long term debt (Note 3)	312,058	308,037
Current liabilities:		
Bank indebtedness	627	1,688
Accounts payable	45,353	41,431
Sundry taxes	2,054	2,106
Interest on debt	4,448	4,020
Long term debt due within one year	17,541	17,119
	70,023	66,364
Minority interest in subsidiary companies:		
Preferred shares	5,000	5,000
Common shares	8,474	8,118
	13,474	13,118
	$704,428	$675,189

On behalf of the Board:

E. Phillips Director

John Anderson Director

CONSOLIDATED STATEMENT OF

Operations

for the years ended December 31

	1976	1975
	(in thousands)	
Operating revenues:		
Gas and by-product sales	$560,683	$416,012
Other	1,689	665
	562,372	416,677
Operating revenue deductions:		
Cost of gas sold	428,175	296,481
Operation and maintenance	38,179	32,595
Depreciation	22,846	20,341
Taxes — other than income taxes	13,797	12,893
Income taxes	474	454
	503,471	362,764
Operating income	58,901	53,913
Other income:		
Equity in earnings of Westcoast Petroleum Ltd.	1,445	1,040
Allowance for funds used during construction	1,595	2,106
Investment and other income	3,274	3,464
	65,215	60,523
Income deductions:		
Interest on long term debt	22,914	24,633
Debt discount, premium and expense	492	1,301
Other interest and amortization	893	581
	24,299	26,515
Income before minority interest	40,916	34,008
Minority interest	1,457	989
Net income	$ 39,459	$ 33,019
For common shares:		
Net income	$ 39,459	$ 33,019
Provision for dividends on preferred shares	3,400	3,400
Net income applicable to common shares	$ 36,059	$ 29,619
Per common share — weighted average	$3.34	$2.97
— fully diluted	$3.12	$2.71
Dividends per common share	$1.836	$1.80

(The accompanying accounting policies and notes are integral parts of these financial statements)

CONSOLIDATED STATEMENT OF
Retained Earnings
for the years ended December 31

	1976	1975
	(in thousands)	
Unappropriated retained earnings:		
Balance, beginning of year	$ 83,681	$ 79,716
Net income	39,459	33,019
	123,140	112,735
Deduct dividends paid:		
Preferred shares	3,400	3,400
Common shares	19,798	17,654
	23,198	21,054
	99,942	91,681
Transferred to appropriated retained earnings	8,000	8,000
Balance, end of year	91,942	83,681
Appropriated retained earnings (Note 4):		
Reserve for redemption of preferred shares		
Balance, beginning of year	12,000	4,000
Transferred from unappropriated retained earnings	8,000	8,000
Balance, end of year	20,000	12,000
Retained earnings, end of year	$111,942	$ 95,681

CONSOLIDATED STATEMENT OF
Contributed Surplus
for the years ended December 31

	1976	1975
	(in thousands)	
Balance, beginning of year	$ 329	$ 253
Contributions in aid of construction	41	76
Balance, end of year	$ 370	$ 329

(The accompanying accounting policies and notes are integral parts of these financial statements)

CONSOLIDATED STATEMENT OF

Changes in Financial Position

for the years ended December 31

	1976	1975
	(in thousands)	
Funds derived from:		
Operations —		
Income before minority interest	$ 40,916	$ 34,008
Add items not involving a flow of funds:		
Depreciation and amortization	23,335	20,791
Equity in earnings of Westcoast Petroleum Ltd.	(1,445)	(1,040)
Debt discount, premium and expense	492	1,301
	63,298	55,060
Common shares issued	4,901	44,961
Sale of investments	994	—
Additional long term debt (net of financing costs)	29,033	5,768
Working capital decrease	—	22,432
	$ 98,226	$128,221
Funds used for:		
Additions to plant, property and equipment	$ 22,766	$ 38,337
Long term debt retirement (net of exchange)	20,682	20,110
Long term debt converted to common shares	4,863	44,958
Dividends	23,198	21,054
Dividends paid by subsidiaries to minority interests	469	738
Investment in Westcoast Petroleum Ltd.	—	1,823
Foothills Pipe Lines Ltd.	2,500	1,150
Other	764	51
Working capital increase	22,984	—
	$ 98,226	$128,221
Changes in working capital components:		
Temporary cash investments	$ 17,709	$ (23,041)
Deposits with trustees	178	267
Accounts receivable	7,855	12,435
Materials and supplies	(37)	612
Line pack gas	253	427
Prepayments	685	(1,138)
Bank indebtedness	1,061	59
Accounts payable	(3,922)	(11,675)
Sundry taxes	52	(1,119)
Interest on debt	(428)	1,680
Long term debt due within one year	(422)	(939)
Working capital increase (decrease)	$ 22,984	$ (22,432)

(The accompanying accounting policies and notes are integral parts of these financial statements)

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and the following subsidiaries: Westcoast Transmission Company (Alberta) Ltd. (100% owned), Westcoast Transmission Housing Ltd. (100% owned), Vancal Properties Ltd. (100% owned), Gas Trunk Line of British Columbia Ltd. (99.9% owned), Saratoga Processing Company Limited (25% owned, including 100% of the voting shares) and Pacific Northern Gas Ltd. (45% owned (December 31, 1975 — 26.7%) including 100% of the voting shares).

At December 31, 1976 the Company owned 2,017,550 (49.1%) of the common shares of Westcoast Petroleum Ltd. and recorded this investment at cost plus its share of that company's undistributed net income and included in income its share of that company's earnings. At December 31, 1976 the Company owned 600,000 (45.5%) of the voting preferred shares of Westcoast Petroleum Ltd. and recorded as investment income $900,000 of dividends received for each of the years ended December 31, 1976 and December 31, 1975. These investments, which represent 48.2% of the voting securities at December 31, 1976, have a market value at December 31, 1976 of $23,579,000 (December 31, 1975 — $16,496,000).

Cost of Service:

The Company and its utility subsidiaries (Westcoast Transmission Company (Alberta) Ltd., Westcoast Transmission Housing Ltd. and Gas Trunk Line of British Columbia Ltd.) operate under a cost of service arrangement with the British Columbia Petroleum Corporation. Under this arrangement the Company receives a return on its utility rate base and is reimbursed for costs incurred in the operation of the facilities required for gathering, processing and transmitting gas. Included in cost of service are operating, maintenance and administrative expenses, depreciation expense, and taxes including income taxes as they become payable. The difference between the operating revenue and the cost of service including the return on rate base is recorded as cost of gas. The rate of return for the year ended December 31, 1976 was 10½% (for the year ended December 31, 1975 — 10%).

As a result of operating on a cost of service basis, increases in the sales price of gas do not affect the net income of the Company. Although the National Energy Board directs from time to time that the sales price of gas exported to the United States be increased, the net income of the Company is not affected because the increase in the cost of gas, pursuant to the cost of service arrangement, is equal to the increase in the gas sales revenue of the Company.

Regulation:

The Company is subject to the National Energy Board Act and to the jurisdiction of the Board created thereby. That Board regulates accounting matters, export of gas, construction and operation of gas pipelines and rates, tolls and charges of the Company.

Anti-Inflation Guidelines:

Under federal government anti-inflation legislation the Company is subject to mandatory compliance with controls on profits, dividends and employee compensation. The Company is allowed to pay dividends at an annual rate of $1.944 per common share but is not allowed to increase this rate unless authorized by the Anti-Inflation Board following its planned review in October 1977.

Translation of United States Funds:

The Company's United States funds on deposit with banks and trustees and current liabilities payable in United States funds, with the exception of long term debt due within one year, have been translated to Canadian dollars at the exchange rates prevailing at the end of the fiscal years. Accounts receivable due in United States funds have been translated to Canadian dollars at the average exchange rates prevailing during the months in which the sales were made. Long term debt and capital stock issued in United States funds have been translated at the exchange rates prevailing at the respective dates of issue.

Depreciation:

Depreciation is calculated using straight line rates determined on the economic and physical life of the assets in service at the commencement of the fiscal years.

Capitalization and Maintenance:

Maintenance and repairs are charged to expense accounts when incurred and betterments which extend the useful life of properties are capitalized. Upon retirement or sale of items of property, the original cost of such items is charged against the

applicable accumulated depreciation accounts and the net proceeds of disposal are credited to accumulated depreciation.

Allowance for Funds Used During Construction:

An allowance for funds used during construction is charged to plant, property and equipment at a rate of 10¾% for the year ended December 31, 1976 (for the year ended December 31, 1975 — 10%).

Income Taxes:

The companies provide for income taxes on the taxes payable basis under which no provision is made for income taxes deferred through claiming capital cost and other allowances in excess of amounts recorded in the accounts. Under the terms of the Company's gas purchase contract with the British Columbia Petroleum Corporation, payments on account of income taxes are recoverable as a part of cost of service. If the tax allocation basis had been used to provide for income taxes, the provision for the year would have been $19,000,000 (for the year ended December 31, 1975 — $15,700,000) and the accumulated provision to December 31, 1976 would have been $96,400,000 (December 31, 1975 — $77,400,000).

The statutory rates for income taxes in 1976 and 1975 are 51.0% and 52.6%, respectively. By contrast, the effective rates for 1976 and 1975 of 47.0% and 46.9% respectively, resulted primarily because the equity in earnings and dividends relating to the investment in Westcoast Petroleum Ltd. are not taxable.

Debt Discount, Premium and Expense:

Debt discount, premium and expense is being amortized over the life of the respective debt issues.

Abandoned Pipeline:

Unrecovered costs of an abandoned gathering pipeline are being amortized over the ten year period ending December 31, 1980.

Capital Stock Expense:

Capital stock expense includes the unamortized portion of issue costs for the preferred shares. As shareholders have the right to tender these shares to the Company for redemption during 1979, the Company is amortizing the issue costs over the five year period ending December 31, 1979.

Foothills Pipe Lines Ltd.:

The Company owns 30% of the outstanding common shares of Foothills Pipe Lines Ltd., a company that has applied to the National Energy Board for authorization to construct a pipeline to transport natural gas from the Beaufort Basin-Mackenzie Delta area to a point near the Alberta-Northwest Territories border. The Company will contribute 50% of the common equity requirements of Foothills Pipe Lines (Yukon) Ltd., a company that has applied to the National Energy Board to construct a pipeline to transport natural gas from the Alaska-Yukon border to a point near the Yukon-British Columbia border. The natural gas from the Beaufort Basin-Mackenzie Delta area would be transported to markets in Canada and the natural gas from Alaska would be transported to markets in the United States.

The Company's ownership in Foothills Pipe Lines Ltd. is recorded as an investment and advances, which are based on the Company's percentage participation in these projects, are recorded as deferred charges until such time as a decision is received from the National Energy Board regarding the construction of these pipelines.

Excess of Cost of Investment in Subsidiary:

The excess of the cost of investment in Gas Trunk Line of British Columbia Ltd. over the net book value at date of acquisition is being amortized over the remaining life of the Gas Transportation Contract between the Company and Gas Trunk which expires in December 1981.

Pension Plan:

The Company and its subsidiaries have a non-contributory pension plan covering substantially all employees and contribute amounts necessary to provide normal retirement income for the participants. The companies contributed and charged to operations $723,000 during the year ended December 31, 1976 (during the year ended December 31, 1975 — $634,000). Based on an actuarial valuation prepared during 1976, there is no unfunded liability.

Earnings Per Common Share:

Fully diluted earnings per common share calculations assume the conversion of the convertible bonds, debentures and subordinate debentures and the exercise of share purchase options and warrants. Funds derived from the exercise of options and warrants were assumed to have been invested to produce an annual return of 10% for each of the years ended December 31, 1976 and 1975.

1. Plant, Property and Equipment:

	1976	1975
	(in thousands)	
Gathering plant	$147,918	$130,426
Products extraction plant	115,524	94,871
Transmission plant	452,729	451,053
Distribution plant	6,570	5,833
Miscellaneous plant and equipment	23,580	22,430
	746,321	704,613
Construction in progress	11,448	32,139
	$757,769	$736,752

2. Capital Stock:

(a) *Authorized capital:*

On May 5, 1976, concurrent with the granting of a Certificate of Continuance under the Canada Business Corporations Act, the authorized share capital was increased to 5,000,000 preferred shares from 2,000,000 and the designation of the Company's 8½% Cumulative Redeemable Preferred Shares Series A was changed to $4.25 Cumulative Redeemable Preferred Shares Series A.

(b) *During 1976 the Company issued:*

(i) 36,140 common shares on conversion of First Mortgage Pipe Line Bonds, 5¾% Convertible, Series D and Series E at conversion rates of $30.67 and $31.07 per share, increasing capital stock by $1,122,000.

(ii) 14,960 common shares on conversion of 7½% Convertible Debentures, First Series at a conversion rate of $25.00 per share, increasing capital stock by $374,000.

(iii) 117,998 common shares on conversion of 5½% Subordinate Debentures, Series C at conversion rates of $29.45 (U.S.) and $29.89 (U.S.) per share, increasing capital stock by $3,366,000.

(iv) 2,500 common shares on options exercised by an officer at an option price of $15.50 per share, increasing capital stock by $39,000.

(c) *During 1975 the Company issued:*

(i) 165 common shares on conversion of First Mortgage Pipe Line Bonds, 5¾% Convertible Series D and Series E at a conversion rate of $30.15 per share, increasing capital stock by $5,000.

(ii) 1,947,385 common shares on conversion of 7½% Convertible Debentures, First Series at a conversion rate of $22.00 per share, increasing capital stock by $42,843,000.

(iii) 74,669 common shares on conversion of 5½% Subordinate Debentures, Series C at conversion rates of $29.15 (U.S.) and $29.45 (U.S.) per share, increasing capital stock by $2,094,000.

(iv) 1,000 common shares on options exercised by an officer at an option price of $19.375 per share, increasing capital stock by $19,000.

(d) *Common share reservations and options are as follows:*

(i) Included in the common shares reserved for outstanding options, as set out below, are 74,000 common shares optioned to directors and officers (December 31, 1975 — 26,500 common shares).

Expiry date	Option price per share	Number of shares at December 31 1976	1975
July 26, 1980	$16.875	4,000	4,000
October 16, 1983	$15.50	12,500	15,000
July 29, 1984	$19.375	12,500	12,500
April 20, 1986	$23.625	50,000	—

(ii) 202,875 common shares are reserved for options which have not yet been allocated (December 31, 1975 — 2,875 common shares).

(iii) No common shares are reserved for conversion of the First Mortgage Pipe Line Bonds, 5¾% Convertible Series D and Series E because the conversion privilege expired November 1, 1976 (December 31, 1976 — 1,244,603 common shares).

(iv) 247,360 common shares are reserved for conversion of the 7½% Convertible Debentures, First Series (December 31, 1975 — 262,320 common shares).

(v) 641,669 common shares are reserved for conversion of the 5½% Subordinate Debentures, Series C (December 31, 1975—770,254 common shares).

(vi) 1,800,000 common shares are reserved for issuance upon the exercising of Share Purchase Warrants which may be exercised at $28.31 per share until May 15, 1981 (December 31, 1975—1,800,000 common shares).

3. Long Term Debt:	1976 United States Dollars	1976 Canadian Dollars	1975 Canadian Dollars
		(in thousands)	
Westcoast Transmission Company Limited			
First Mortgage Pipe Line Bonds			
4⅜% Series A, due 1977	$ 6,300	$ 6,098	$ 11,810
6% Series C, due 1980	1,010	1,086	1,366
5¾% Series D, due 1984		24,105	27,592
5¾% Series E, due 1984		8,739	10,580
7% Series F, due 1988	47,113	50,768	55,166
8% Series G, due 1991		90,000	90,000
Less purchased in advance of repayment requirements		(5,001)	(1,991)
9¾% Series H, due 1996	30,000	29,566	—
Debentures			
7½% Convertible, First Series, due 1991 (a)		6,184	6,558
8½% Debentures, 1993 Series, due 1993		50,000	50,000
Subordinate Debentures			
5½% Series A, due 1988	16,605	16,529	17,141
Less purchased in advance of repayment requirements	(727)	(724)	(866)
5½% Series B, due 1988	2,511	2,406	2,495
Less purchased in advance of repayment requirements	(104)	(99)	(188)
5½% Series C, due 1988 (b)	19,179	18,436	21,805
Gas Trunk Line of British Columbia Ltd.			
First Mortgage Sinking Fund Bonds			
6% Series A, due 1979	1,372	1,398	1,883
Subordinate Debentures			
6% Series A, due 1981		1,590	1,680
Less Purchased in advance of repayment requirements		(1)	(8)
Westcoast Transmission Housing Ltd.			
Housing Mortgages, 7% and 8¾%		556	581
Vancal Properties Ltd.			
7½% Secured Notes, due 1994	4,369	4,687	4,807
Saratoga Processing Company Limited			
First Mortgage Sinking Fund Bonds			
6¼% Series A, due 1979	1,050	1,078	1,490
Subordinated Debentures			
6% Series A, due 1981		810	824
Less purchased in advance of repayment requirements		(19)	(11)
8½% Promissory Note, due 1981		180	220
Pacific Northern Gas Ltd.			
First Mortgage Pipe Line Bonds			
7¾% Series A, due 1988	11,563	12,430	13,424
9¼% Series B, due 1991 (c)	2,775	2,797	2,798
Debentures			
11½% 1975 Series, due 1980		6,000	6,000
		329,599	325,156
Deduct long term debt due within one year		17,541	17,119
		$312,058	$308,037

Long term debt payments required in the five years ending December 31 are:
1977 — $17,541,000; 1978 — $15,124,000; 1979 — $20,483,000; 1980 — $28,598,000; 1981 — $22,589,000.

(a) Convertible into common shares at $25 per share until December 31, 1980.
(b) Convertible into common shares at $29.89 (U.S.) per share until July 15, 1978.
(c) Includes detachable warrants to purchase 50,000 Class A common shares of Pacific Northern at $5 per share until maturity.

If the companies' long term debt payable in United States funds was translated at the foreign exchange rate prevailing at the end of the fiscal years, the long term debt including the portion due within one year would have been $327,474,000 (December 31, 1975—$323,290,000) and net income for the year would have increased by $260,000 (for the year ended December 31, 1975 decreased by $3,499,000).

The Company has a credit arrangement with a bank to a limit of $50,000,000 and is charged a standby fee of ¼% per annum on amounts not borrowed. This line of credit is available until August 31, 1981 and amounts borrowed will bear interest at the bank's prime rate plus ½%.

The Company's First Mortgage Pipe Line Bonds are secured by a specific First Mortgage of substantially all of the Company's fixed assets, its gas purchase contracts, its gas sales contracts and 403,600 preferred shares of Westcoast Petroleum Ltd. and by a first floating charge on its assets and its undertakings.

4. Appropriated Retained Earnings:

The Company is required to provide for a Retraction Purchase Fund through an appropriation of retained earnings at an annual rate of 20% of the aggregate value of the outstanding preferred shares until July 1, 1979 when the appropriation will amount to 100% of the value of the outstanding shares.

5. Dividend Restriction:

The First Mortgage and the indentures relating to the Company's long term debt and preferred shares contain restrictions as to the declaration or payment of dividends (other than stock dividends) on common shares. Under the most restrictive provision, the amount available for dividends at December 31, 1976 is $45,000,000 (December 31, 1975 — $40,000,000).

6. Remuneration of Directors and Officers of the Company:

The aggregate remuneration paid to directors and senior officers in their capacity as directors or officers for the year ended December 31, 1976 was $591,000 (for the year ended December 31, 1975 — $490,000).

7. Subsequent Events:

(a) During 1976, the Company completed a private placement of First Mortgage Pipe Line Bonds, 9¾% Series H, due 1996 in the amount of $50,000,000 (U.S.). An amount of $30,000,000 (U.S.) was issued on October 6, 1976 and the balance in the amount of $20,000,000 (U.S.) was issued on January 6, 1977.

(b) On January 25, 1977, the Company converted its holdings of 600,000 voting preferred shares of Westcoast Petroleum Ltd. into 1,200,000 common shares of that company. This conversion increases the Company's ownership of Westcoast Petroleum Ltd.'s common shares from 2,017,550 shares (49.1%) to 3,217,550 shares (60.6%).

(c) On February 1, 1977, the Company declared a dividend of 48.6¢ per common share, payable March 31, 1977 to shareholders of record on February 25, 1977.

8. Replacement Cost Data (unaudited):

In compliance with rules of the Securities and Exchange Commission of the United States, the Company has estimated certain replacement cost data with respect to plant investment and related accumulated depreciation, cost of gas sold, and depreciation expense. The results are explained and quantified in the Company's Form 10-K filed with the Commission and show that a significant increase in capital investment would be necessary to replace existing service capacity. The disclosure of this data

is to comply with the Commission's rules and does not indicate a change in the Company's replacement policy.

The Company is under the jurisdiction of the National Energy Board of Canada and operates under a cost of service agreement with the British Columbia Petroleum Corporation. This agreement allows for the recovery of the Company's cost of service, including the cost of gas sold, depreciation based upon the historical plant cost, and a return on a rate base which includes net plant based upon historical cost. The National Energy Board presently does not recognize replacement cost for accounting purposes or rate determinations.

9. Selected Quarterly Data (unaudited):

	1976			
	for the three months ended			
	March 31	June 30	September 30	December 31
	(in thousands)			
Operating revenues	$133,668	$144,708	$117,814	$166,182
Operating revenue deductions	119,140	130,119	103,318	150,894
Operating income	14,528	14,589	14,496	15,288
Other	4,944	4,505	4,914	5,079
Net income	9,584	10,084	9,582	10,209
Provision for preferred dividends	850	850	850	850
Net income applicable to common shares	$ 8,734	$ 9,234	$ 8,732	$ 9,359
Per common share:				
weighted average	$0.82	$0.85	$0.81	$0.86
fully diluted	$0.74	$0.76	$0.74	$0.81

Auditors' Report

TO THE SHAREHOLDERS OF WESTCOAST TRANSMISSION COMPANY LIMITED:

We have examined the consolidated balance sheet of Westcoast Transmission Company Limited as at December 31, 1976 and 1975 and the consolidated statements of operations, retained earnings, contributed surplus and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and 1975 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis during the period.

Vancouver, Canada
February 3, 1977.

CLARKSON, GORDON & CO.
Chartered Accountants

Management's Discussion of Operations

The Company's Ten Year Review on pages 22 and 23 present key financial data which provide the basis for the following discussion of operations.

Year Ended December 31, 1976

Substantial increases in operating revenue and operating revenue deductions over 1975 resulted from increases in prices charged for gas sold to both domestic and export customers. The net income of the Company, however, was not affected as the Company's income from utility operations is based on the cost of service agreement with the B.C. Petroleum Corporation.

Operating income increased because of additional plant in service and because effective January 1, 1976, the rate of return on rate base was increased from 10% to 10½%.

Year Ended December 31, 1975

Substantial increases in operating revenue and operating revenue deductions over 1974 resulted from increases in prices charged for gas exported to the United States.

Operating income increased because of additional plant in service and because effective January 1, 1975, the rate of return on rate base was increased from 9½% to 10%.

Investment and other income is derived from interest income on short term investments and deposits with trustees together with the Company's share of equity in earnings of a less than majority owned affiliate. The fluctuations in this income from year to year primarily results from the amount of cash available for temporary investments.

Allowance for funds used during construction increased relative to 1974 because of the increase in construction activity.

During the year, significant amounts of some of the Company's convertible bonds and debentures were converted into common shares. As a result of these conversions, outstanding common shares have increased, the unamortized debt discount, premium and expense related to the debt converted has been written off against income, and interest on long term debt has therefore decreased.

In July 1974, the Company issued preferred shares and accordingly the 1975 provision for dividends on preferred shares is greater than in 1974.

Ten Year Review

(Dollar amounts are in thousands, except per share figures)

Years Ended

FINANCIAL	1976	1975	1974
Operations:			
Operating revenue	$ 562,372	$ 416,677	$ 266,600
Operating income	58,901	53,913	49,974
Financial charges	23,406	25,934	27,680
Income before special items	39,459	33,019	26,731
Special items	—	—	—
Net income	39,459	33,019	26,731
Provision for dividends on preferred shares	3,400	3,400	1,559
Net income applicable to common shares	36,059	29,619	25,172
Cash flow	63,298	55,060	47,161
Per Common Share:			
Net income—weighted average	3.34	2.97	2.90
—fully diluted	3.12	2.71	2.48
Dividends	1.836	1.80	1.30
Dividend payout ratio	55%	61%	45%
Cash flow	5.87	5.51	5.44
Assets:			
Plant, property and equipment	757,769	736,752	699,954
Accumulated depreciation	188,992	167,632	149,212
Net plant, property and equipment	568,777	569,120	550,742
Net additions to plant	21,017	36,798	46,731
Total assets	704,428	675,189	664,999
Rate Base and Return:*			
Average utility rate base	516,738	499,092	493,404
Average return on rate base	10.5%	10.0%	9.5%
Capitalization:			
Long term debt	312,058	308,037	367,105
Preferred shareholders' equity	40,000	40,000	40,000
Common shareholders' equity	268,873	247,670	190,668
—per common share	24.74	23.15	21.98
Return on average common shareholders' equity	14.0%	13.5%	13.8%
Capitalization Ratios:			
Long term debt	50.3%	51.7%	61.4%
Preferred shareholders' equity	6.4%	6.7%	6.7%
Common shareholders' equity	43.3%	41.6%	31.9%
STATISTICAL			
Total gas sales—			
Millions of cubic feet	345,649	353,200	362,257
Average daily sales—			
Thousands of cubic feet	944,397	967,671	992,484
Peak day sales—			
Thousands of cubic feet	1,163,955	1,174,312	1,188,996
System sales capacity—			
Thousands of cubic feet per day	1,306,000	1,306,000	1,306,000
Miles of transmission lines	1,376	1,376	1,374
Miles of gathering lines	962	867	794
Compressor horsepower	447,220	447,220	441,220
Shares outstanding—year end	10,868,217	10,696,619	8,673,400
Number of common shareholders	9,677	9,768	9,525
Number of employees	508	514	519

*The nature of the Company's utility operations changed significantly in November 1973 at which time it commenced operating on a cost-of-service basis whereby utility operating costs are recovered and the Company receives a return on its utility investment.

cember 31

1973	1972	1971	Nine Months Ended December 31 1970	Years Ended March 31 1970	1969	1968
$ 168,764	$ 139,492	101,575	$ 69,684	$ 92,837	$ 84,675	$ 77,736
47,093	42,810	26,665	16,254	22,415	19,666	19,738
28,062	26,189	24,960	14,597	18,854	16,115	10,533
24,001	21,314	8,416	3,103	5,319	5,982	9,001
—	(470)	814	—	—	(3,573)	(189)
24,001	20,844	9,230	3,103	5,319	2,409	8,812
—	—	—	—	—	—	—
24,001	20,844	9,230	3,103	5,319	2,409	8,812
42,082	37,931	21,836	12,779	16,845	16,033	18,420
2.80	2.46	1.37	.46	.79	.36	1.32
2.41	2.28	1.37	.46	.79	.36	1.32
.75	.60	.50	.50	.50	.25	.25
27%	24%	36%	109%	63%	69%	19%
4.91	4.48	3.23	1.91	2.51	2.40	2.76
653,223	618,071	564,769	461,394	429,486	414,334	388,540
131,826	115,262	100,175	89,839	81,238	70,681	67,064
521,397	502,809	464,594	371,555	348,248	343,653	321,476
35,152	53,302	103,375	31,908	15,152	25,794	43,435
614,217	571,584	533,836	437,154	410,079	408,041	352,766
—	—	—	—	—	—	—
—	—	—	—	—	—	—
386,960	371,098	378,712	305,518	257,580	262,268	174,702
—	—	—	—	—	—	—
174,332	156,508	96,459	89,396	89,700	87,604	86,819
20.33	18.28	14.27	13.34	13.39	13.08	12.97
14.5%	16.5%	9.9%	3.5%	5.9%	2.7%	10.6%
68.9%	70.3%	79.7%	77.4%	74.2%	74.9%	66.8%
—	—	—	—	—	—	—
31.1%	29.7%	20.3%	22.6%	25.8%	25.1%	33.2%
412,156	368,679	287,659	197,384	258,887	248,095	217,300
1,129,194	1,007,319	788,106	717,759	709,279	679,709	593,714
1,284,742	1,251,035	1,122,791	886,679	866,935	854,074	719,348
1,306,000	1,231,000	1,102,000	864,000	864,000	864,000	864,000
1,374	1,290	1,202	966	966	966	966
715	713	679	568	568	564	532
382,220	381,220	343,720	287,820	287,820	283,220	283,220
8,575,977	8,562,943	6,760,341	6,703,817	6,699,817	6,695,264	6,691,694
10,225	10,630	10,450	10,585	10,183	10,765	11,560
515	502	494	518	526	514	471

Corporate Information

REGISTRARS

Common Shares

CANADA TRUST COMPANY — Montreal, P.Q., Toronto, Ont., Regina, Sask., Calgary, Alta., Vancouver, B.C.

CHEMICAL BANK
New York, N.Y.

Preferred Shares

CANADA PERMANENT TRUST COMPANY — Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

Bonds

MONTREAL TRUST COMPANY — Vancouver, B.C.

Debentures

Subordinate Debentures:

CITIBANK, N.A. — New York, N.Y.

MONTREAL TRUST COMPANY (co-registrar) — Montreal, P.Q., Toronto, Ont., Calgary, Alta., Vancouver, B.C.

First Series Debentures:
CANADA PERMANENT TRUST COMPANY — Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

1993 Series Debentures:
CANADA TRUST COMPANY — Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

AUDITORS

Clarkson, Gordon & Co.
P.O. Box 10101
Pacific Centre
700 West Georgia Street
Vancouver, B.C.

TRANSFER AGENTS

Common Shares, Bonds, Subordinate Debentures

MONTREAL TRUST COMPANY — Montreal, P.Q., Toronto, Ont., Calgary, Alta., Vancouver, B.C.

CITIBANK, N.A. — New York, N.Y.
(Series E Bonds are transferable at the Montreal Trust Company branch in Winnipeg, Man., and Shares are transferable at the Montreal Trust Company branch in Regina, Sask.)

First Series Debentures

CANADA PERMANENT TRUST COMPANY — Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

1993 Series Debentures

CANADA TRUST COMPANY — Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

Preferred Shares

CANADA TRUST COMPANY — Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

STOCK EXCHANGES

Listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada and the New York and Pacific Coast Stock Exchanges in the United States.

STOCK SYMBOL — WTC

OFFICES

1333 West Georgia Street, Vancouver, B.C. V6E 3K9
1212 - One Palliser Square, Calgary, Alberta T2G 0P6

STOCK MARKET PRICE RANGES Common Shares

	New York		Toronto	
	Low	High	Low	High
January-March 1975	18¾	23	18½	23¼
April-June 1975	21⅛	22⅝	21⅜	23
July-September 1975	19	22⅝	20	22¼
October-December 1975	21	22¼	21¼	23
January-March 1976	21¾	25	22⅛	25½
April-June 1976	24	25	22¾	24¾
July-September 1976	24½	27¼	24	26¾
October-December 1976	23	27	23¾	28

DIVIDENDS PAID Common Shares

January-March 1975	$0.45
April-June 1975	0.45
July-September 1975	0.45
October-December 1975	0.45
	$1.80
January-March 1976	$0.45
April-June 1976	0.45
July-September 1976	0.45
October-December 1976	0.486
	$1.836

Westcoast Transmission Company Limited
1333 West Georgia Street, Vancouver, British Columbia

LITHO'D IN CANADA
AGENCY PRESS LIMITED